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ABSTRACT

A major conclusion reached by 18 university, academic and administrative officers, library directors, economists and management specialists, who met in October 1981 to explore issues related to the financial management of academic research libraries, is that current approaches to cost reduction are only short-term solutions. These approaches are identified as better library planning, management and control; reduction of acquisition budgets; consolidation of branch libraries; cooperative ventures; increased use of technology; and remote storage. Group discussions reported address the changing role of research libraries; the lack of information about library and university operations and expenditures; the proliferation of published information; and the need for large amounts of capital investment in library technology. Attention is focused on six areas including library service and operating models; organizational patterns with emphasis on library decentralization; acquisition and preservation policies; storage and retrieval strategies incorporating new technology; the research library's role in scholarly communication; and the place of the research library in the economy and programs of the university as a whole. Suggestions are also made for a coordinated approach to the financial problems of research libraries on a national level. Appendices comprise a list of participants, an agenda, and a discussion guide for the meeting. (ESR)

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THE ECONOMICS AND FINANCIAL MANAGEMENT OF RESEARCH LIBRARIES

A report on an exploratory meeting sponsored by

THE ASSOCIATION OF RESEARCH LIBRARIES

and

THE RESEARCH LIBRARIES GROUP, INC.

October 14, 1981
Washington, D.C.

Supported by

THE COUNCIL ON LIBRARY RESOURCES, INC.

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March 1982
Washington, D.C.

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EXECUTIVE SUMMARY

Eighteen university academic and administrative officers, library directors, economists and management specialists met in Washington, D.C. October 14, 1981 to explore issues related to the economics and financial management of research libraries. Although the meeting was unique in terms of the several points of view represented, the issues considered are familiar to those committed to research library improvement. Discussion started with a general review of the characteristics of the present financial situation, moved to a review of current approaches, and concluded with a fresh look at areas of concern needing more attention and possible solutions to the economic problems of research libraries. Central to these discussions was consideration of the nature and structure of research libraries in the future.

A major conclusion of the participants was that cost cutting, tightened management control, and other internal measures have only short-term benefits if certain basic issues are not addressed forcefully. These issues include securing better information on library operations, performance, and strategic choices; strengthening the role of the research library in university curricular planning, institutional budgeting processes, and university-wide decision and policymaking; and securing capital investment to allow application of technology, design of new management structures, initiation and advancement of cooperative ventures, and introduction of new information media and services.

The discussion identified six areas where constraints exist and attention may be focused. Library service and operating models need to be tested, extended or in some instances recast. Organizational patterns need to be rethought with the information function of the university as a principal mission. Acquisition and preservation policies can be strengthened through intelligent use of cooperative interinstitutional arrangements engineered with support of faculty. Storage and retrieval strategies ought to incorporate the latest technological innovation based on a sound understanding of user behavior and needs. The system of scholarly communication should be influenced more directly by the university and the research library community. And finally, the place of the research library relative to the economy and programs of the university must be recognized and its role reviewed.

Participants identified several concrete actions as deserving attention on a national level.

- o More information about library costs and economic issues needs to be gathered and disseminated.
- o The possiblity of developing management methods and tools that can allow librarians and university administrators to relate costs to programs must be explored.
- o New sources of capital for investment in the development and operation of research libraries must be found.
- o The possible contribution of cooperative ventures in the economic issues of research libraries must be strengthened.
- o The role of research libraries as part of a national information system needs to be examined. Any changes in that role need to be made known to all involved. The broader issue of the mission of the research library in the communication of knowledge must not be forgotten.
- o The role of technolgy in the future of research libraries needs further exploration, and some method of evaluating future technologies for their usefulness in libraries needs to be developed.
- o Alternative ways libraries and universities can have a role in decisions affecting them must be explored.
- o Further steps should be taken relative to the model of library operations and costs mentioned above.
- o Alternative ways of involving faculty in library decision making need to be explored.
- o A new concept of what research libraries should be in the future needs to be developed.
- o There needs to be more emphasis on output measures in the planning and development of research libraries.

REPORT

A meeting was held October 14, 1981 in Washington, D.C. to explore the issues related to the economics and financial management of research libraries. Eighteen university academic and administrative officers, library administrators, economists, and management experts participated in the meeting, which was sponsored by the Association of Research Libraries (ARL) and the Research Libraries Group, Inc. (RLG), and funded by the Council on Library Resources.

Participants received two background papers and a discussion guide prior to the meeting. Discussions began with a review of the present financial situation in research libraries and higher education, moved to a review of solutions currently being tried, and concluded with a fresh look at the issues that need attention and possible solutions to the economic problems of research libraries. These notes summarize the key issues discussed.

I. The Nature and Extent of the Problem

Costs of running research libraries are increasing faster than university budgets can accommodate. Association of Research Libraries statistics

indicate the magnitude of the cost increases for both library materials and personnel -- the two major costs in research libraries. From 1968/69 to 1978/79, ARL member libraries spent 91% more for library materials, yet added 22.5% fewer books to their collections. Personnel costs have increased 106% in the same period, yet essentially no new positions have been added. When such data are corrected for inflation, the magnitude of the problem doubles.

Other factors exacerbate the financial crisis. The amount of material being published is increasing rapidly, at about 2.5% each year; hence, libraries are losing ground in the proportion of new information they are able to purchase. Expectations and demands of faculty and students for library materials and services are constantly increasing. And while technological advances can help with such problems, at the same time the technology itself is quite expensive.

Hence, libraries need more money at the same time universities are having crises of their own. Libraries are just one of many activities the university must fund, and current management tools, both at the library and university level, seem inadequate to successfully deal with economics, costs and benefits of research libraries.

II. Current Solutions Being Tried

Participants identified and discussed six of the approaches currently being tried to reduce costs in research libraries.

1. Better planning, management and control have resulted in some savings for materials, equipment, supplies, salaries and services.

2. Reduction of serials and acquisitions budgets has saved some money that once went for subscriptions, materials and processing. Three participants indicated that relatively heavy cuts in journal subscriptions have not had the drastic effects on users that were predicted.

3. Consolidation of unneeded branch libraries has reduced expenditures for staff, facilities and duplicate books and journals. Up to one-sixth of the serials budget may go for duplicate journals for branches. The fundamental question of whether to bring the scholar to information or information to the scholar has not been resolved.

4. Cooperative ventures such as resource sharing and joint purchase of computer systems can reduce costs while at the same time making available materials and services that each library alone could not afford. One participant indicated the cataloging budget decreased from 1/6 of the library budget in 1967 to 1/9 of the budget in 1979, primarily because of cooperative cataloging.

5. Technology apparently does not produce the cost savings originally anticipated, but it can increase the services available and the timeliness of services, and it helps make resource sharing and other cooperative ventures possible. In some areas such as technical services, improvements in productivity are possible.

6. Remote storage of infrequently-used materials can ultimately reduce costs for facilities, and can help preserve materials.

III. Why Current Approaches to Economic Problems are Inadequate

Cost cutting approaches to the economic problems of research libraries have been helpful in the short term, but basic issues have not been forcefully addressed. It is clear that libraries can't simply extrapolate the present into the future. A new concept of research libraries is needed. Where the library has some control, limited progress has been made, but many of the economic problems involve areas over which libraries either have little or no control, or have failed to exert the control they could have. Radical changes may be needed, but are proving difficult for several reasons:

1. The Unclear and/or Changing Role of the Research Library. The research library plays roles at both the institutional and national levels. At the institutional level, the library supports instruction and research by providing access to information by whatever means necessary. At the national level, the research library is expected to share its resources with other libraries and institutions. Some of the financial problems arise from trying to serve both roles; other problems arise because those roles are constantly undergoing change. Individual libraries are usually powerless to influence those roles. Faculty and students have one set of expectations for the library, and that set is not always the same as the expectations of university administrators. Further, user expectations and needs are not always the same.

2. Lack of Information about and Understanding of Library Operations and Economics. Management decisions affecting libraries often must be made with incomplete or inadequate information about the immediate and long-term effects on the library, its users, the university, and the nation. Decision making is hampered by lack of information on such topics as: the real costs of cooperative enterprises, the benefits and values of information, what information users need and use, user behavior and satisfaction, what factors actually drive library costs, what opportunities exist to alter library procedures, costs of those options, and where they might lead.

Some library and university administrators express concern because they have no helpful information about the effects of library cutbacks of the past ten years. One participant indicated it is mostly faculty in the sciences who, because they depend heavily on current information, complain about lack of adequate resources. Faculty in other disciplines rely more on older materials and may be relatively content with the collections that have been built up over the years. Some time in the future these faculty, too, may recognize the erosion of collections which has occurred because of cutbacks and loss of purchasing power.

3. Library and University Budgeting Practices. Analytical processes involved in budget planning and implementation are often not what they should be, and the relationship of library expenditures to academic and research program expenditures is often poorly (if at all) understood. Library allocations based on either history or a formula based on enrollment are usually inadequate.

4. External Factors. Faculty and publishers were mentioned as two important external factors which add to economic problems or in other ways hinder solutions. Faculty do so by maintaining older and/or inaccurate perceptions of what a library is, or should be, and by being reluctant to move in new directions. Evidence that the serial cuts of recent years may not have had the dire effects many predicted may indicate there are legitimate reasons for challenging such attitudes.

Publishers were cited for the profusion of new titles -- especially journal titles -- and high costs, despite the fact that libraries account for a large share of their market and university scholarship is responsible for much of what they publish. Changes in the publishing industry, such as electronic publishing, are expected to have a big impact on library costs (upward) and function.

5. Capital Investment. Many of the possible solutions to the economic problems of research libraries involve large amounts of capital -- capital for applications of technology, transition to new systems, development of new management tools, and initiation and enhancement of cooperative ventures.

IV. New Approaches

Participants identified six areas where constraints exist and attention must be focused. The group also recommended actions wherever possible. Some of the suggested actions can take place in the library or university; others may require attention by a group of libraries or universities to be effective.

1. Service and Operating Models. This topic covers what is done in the library, for example services offered and delivered, technical processing, and hours of operation. Possible actions include:

a. Certain values, functions and measures require close scrutiny to identify potentials for change. When processes are automated, are new capabilities fully realized? Could less detailed cataloging work just as well? Do libraries need to serve as study halls?

b. Alternative methods for distribution of costs for services need to be examined.

c. Modeling could be very helpful in understanding the operations and economics of research libraries, and in budget and operations decision-making. Several participants have found the EDUCOM TRADES model useful at the university level. Development of a comprehensive library model which specifically focuses on program dynamics in libraries, and which can easily be manipulated, was discussed. More data on the fundamental operations of libraries would be needed to develop such a model, as would further exploration of the type of model needed, potential uses of the model, and procedures for moving forward. Previous library studies could be used in developing this model.

d. Continued attention must be paid to development and proper use of new and existing technologies, management tools, and measures of library effectiveness. Efforts such as RLG's current project to analyze the last ten years of ARL statistics can provide the data for efforts to identify core questions in research library economics.

2. Organizational Patterns. This topic covers centralized vs. branch library systems and external relations, both on and off campus (e.g., to the university computer center, to networks). More attention must be focused on the centralization issue. Decentralized library systems are expensive, yet if decentralization is the university's choice as the best way to serve faculty and students, then the university must be willing to pay the cost of additional facilities, personnel, and materials. For political reasons it is often difficult to discuss the issue, let alone make changes. Applications of technology could change the picture, however. For example, online catalogs with terminals in every department (or every office) might help reduce opposition to consolidation of branch libraries.

3. Acquisition and Preservation Policies. Such policies are closely related to academic programs and cooperative acquisition programs.

a. Acquisition, retention and preservation policies must be reviewed frequently to be sure they parallel the program emphases of the university. The library must be aware of changing programs and information needs on campus.

b. Differences in the nature of materials acquired must be more fully recognized. The usefulness of some materials is short-lived, while that of others is quite long. Not all materials need to be kept, and not all materials kept need to be preserved.

c. Further cooperative efforts and mutual agreements among universities are important. Universities can no longer afford to cover all areas of knowledge as deeply as in the past. Past cooperative ventures based entirely on good will and volunteerism have not necessarily proved successful. What can be done to improve chances for success of such efforts?

d. The way acquisition budgets are constructed and allocated, both to the library, and among publication types (books and journals) and subject areas within the library, must be re-examined and changed as necessary. The library model mentioned in "1-c" could be helpful here.

4. Storage and Retrieval. Storage strategy needs to be reconsidered. Perhaps 60% of a research library collection could be in storage with little reduction in service, cost savings, and, -- if planned for -- improved preservation of materials. Speedy delivery, provision for browsing, and good bibliographic coverage of materials in storage could all help increase acceptance of storage, and applications of technology could help reduce potential problems. Remote storage which brings together little used materials from two or more research libraries in a geographic region is also promising.

5. Scholarly Communication. Research libraries provide much of the information scholars need, and libraries also serve as a major market for scholarly work, once published. Technological and other changes in the

publishing industry could have huge impacts on the scholarly communication process and on libraries.

a. Research libraries and universities must pay attention to developments in these areas and be involved in decisions which affect the scholarly communication process. Problems need to be recognized as affecting the entire university, not just libraries. Libraries and scholars are not the driving forces affecting technological applications in the publishing industry, but unless libraries and universities assert themselves it is hard to say what will happen to scholarly communication.

b. Whatever happens, the library must be prepared to adapt to changes, and to recognize opportunities that may present themselves. Will libraries become brokers for access to scholarly information? Will electronic publishing change the entire charging structure and delivery system for information?

6. Institution-Wide Financial and Organizational Issues.

a. The place of the research library relative to the economy and the programs of the university must be recognized, and this role reviewed. Without clear understandings and agreements at high levels, little progress can be expected. Library problems and priorities can only be considered with the problems and priorities of the university as a whole, and must be considered over a 3-5 year period.

b. Closer relations and more involvement of the university librarian in university planning and budgeting and also of university administrators in library planning is essential. Many of the issues faced by the library cannot be solved without the involvement of chief academic and budget officers, and strategic plans which affect the library must involve the university librarian. Some institutions (e.g., Brown University) require a library impact statement to accompany recommendations for curriculum and course changes submitted by academic departments.

c. The need for risk capital in libraries must be acknowledged, and sources found for such capital. Universities expect to invest more capital in research laboratories every few years to keep them functional; libraries also require periodic investment of capital to enable them to carry out their functions.

d. The method by which the university library budget is determined each year must be reviewed and changed if necessary.

e. Faculty must be brought into library decision-making, both for the contributions they can make to solving library problems and so they will more fully comprehend the issues and alternatives.

V. Next Steps

A number of the actions recommended above can best be approached at the national level.

a. More information about library costs and the economic issues needs to be gathered and disseminated.

b. The possibility of developing management methods and tools that allow librarians and university administrators to relate costs to programs must be explored.

c. New sources of capital for investment in research libraries must be found.

d. The possible role of cooperative ventures in the economic issues of research libraries must be explored.

e. The role of research libraries needs to be examined at the national level. Any changes in that role need to be made known to all involved. The broader issue of the mission of the research library in the communication of knowledge must not be forgotten.

f. The role of technology in the future of research libraries needs further exploration, and some method of evaluating future technologies for their usefulness in libraries needs to be developed.

g. Alternative ways libraries and universities can have a role in decisions affecting them must be explored.

h. Further steps should be taken regarding a model of library operations and costs.

i. Alternative ways of involving faculty in library decision-making need to be explored.

-- prepared by Keith W. Russell
Duane E. Webster

APPENDICES

- List of Participants
- Agenda
- Discussion Guide

List of Participants Invited to the Exploratory Meeting on
The Economics and Financial Management of Research Libraries

Participant	Point of View/Position	Organizational Affiliation
Patricia Battin	Vice President and University Librarian	Columbia University
Michael Bommer	Professor, School of Management	Clarkson College
Paul Bragdon	President	Reed College
David Brennan	Economist	Brookings Institution
Stephen Campbell	Director, Financial Management Center	National Association of College & University Business Officers
Richard DeGennaro	Director of Libraries	University of Pennsylvania
Billy Frye	Vice President for Academic Affairs	University of Michigan
Maurice Glicksman	Provost	Brown University
Warren J. Haas	President	Council on Library Resources
Donald Koepp	Director of Libraries	Princeton University
Peter Likins	Provost	Columbia University
William Massy	Vice President for Business & Finance	Stanford University
Edward Shaw	President	Research Libraries Group
William Studer	Director of Libraries	Ohio State University
Richard J. Talbot	Director	University of Massachusetts Libraries
Duane E. Webster	Director/OMS	Association of Research Libraries
Jerome Yavarkovsky	Assistant Director for Planning	Columbia University

THE ECONOMICS AND FINANCIAL MANAGEMENT OF RESEARCH LIBRARIES

Agenda for an Exploratory Meeting
October 14, 1981
ACE Conference Room #303
11 Dupont Circle
9:30 a.m. - 4:00 p.m.

9:00 a.m.	Assemble
9:30 a.m.	Introduction and Background - discussion of purpose, schedule and format - individual introductions - overview of concerns - David Breneman
10:00 a.m.	Review of Present Situation Concerning Library and Higher Education Economics - participant perceptions of current problems, pressures, and opportunities
BREAK	
11:30 a.m.	Identification of Needs to be Addressed in the Next Decade - national level - university level - library level
BUFFET LUNCH	
1:30 p.m.	Continuation of Discussion of Needs
3:00 p.m.	Development of Ideas for Dealing with Problems and Opportunities Planning for Next Steps
4:00 p.m.	Adjournment

DISCUSSION GUIDE

Papers prepared for this meeting by Michael Bommer and Jerome Yavarkovsky provide a review of available information related to library costs, including basic analytical studies and an assessment of existing options for using the available data in making decisions.*

1. What do we know about current research library costs?

    - o What are the major costs, and how do they change?
    - o What external factors most affect library costs?
    - o What sources of information are available on costs?
    - o How is the information used for decision-making?
    - o What major tradeoffs affect budget construction?
    - o What steps can be taken to improve cost information for decision-making?
    - o What options and ideas exist for controlling current and long-run costs?

2. What is the relationship of library costs to university program decisions?

    - o Which current university financial pressures, program trends and decisions most affect library costs?
    - o How is the impact of university decisions on programs implemented in terms of library planning and operations?
    - o What major tradeoffs can be identified in terms of library operations?
    - o What information and communication are needed to strengthen the decision process?

3. What are the principal sources of income for research library development? How can they be strengthened and supplemented?

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*Michael Bommer, Academic Library Decision Support Systems; Jerome Yavarkovsky, A Strategic Planning Model of the University Library.

Both to be published in Journal of Library Administration (Haworth Press, New York).

4. What is the nature and magnitude of universities' financial, intellectual, and capital investment in their libraries?

   - o What are the long and short term prospects for maintaining this investment?
   - o What can be done to extend and capitalize on the investment?

5. What are the most effective ways to cope with current economic pressures?

   - o How can budget monitoring be employed to control costs?
   - o How can long-range planning effectively take account of cost saving methods and economies of scale?
   - o How can the costs of interdependence, cooperation and shifts to automated systems be assessed?

6. What areas of research library economics are poorly understood?

7. What key organizations, institutions and individuals can assist the study of these problems? Which are best equipped to facilitate action?